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challenger 

Financial Results
2025

19 August 2025

Life. Well lived.

Acknowledgement of country

Challenger acknowledges the Traditional Owners of Country throughout Australia and we pay our respects to Elders past and present. We recognise the continuing connection that Aboriginal and Torres Strait Islander peoples have to this land and acknowledge their unique and rich contribution to society.

Overview

- 1 Business and strategy update**
Nick Hamilton – Managing Director and Chief Executive Officer

- 2 Financial results and outlook**
Alex Bell – Chief Financial Officer

- 3 Looking ahead**
Nick Hamilton – Managing Director and Chief Executive Officer

1

Business and strategy update

Nick Hamilton

Managing Director & Chief Executive Officer

FY25 financial highlights

Delivering strong growth and shareholder returns

PROFITABILITY

Normalised NPAT

\$ **456** million  9%

Statutory NPAT

\$ **192** million  48%



RETURNS

Normalised ROE¹

11.8 %  110bps

Full year dividend

29.5 cps  11%

All growth rates compare the year ended 30 June 2025 against the year ended 30 June 2024 (the prior corresponding period or pc), unless otherwise stated.

¹ Normalised Return On Equity post-tax.

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Progress on driving sustainable, profitable growth

Strategy delivering a business ready for the future

1 FINANCIAL STRENGTH

Capital strength & flexibility
ROE target & investing for growth



Lower capital intensity with growing fee earnings

Implement new capital standards

2 SIMPLIFICATION

Simpler, contemporary business
Aligned to achieve strategic goals



Scalable operating model

Investment excellence including asset origination

3 GROWTH

Sales remix improving book quality
Customer & partner focus delivering



Integrated industry partnerships driving retirement at scale

Retirement innovation & great customer experience

PAST 3-YEARS

FUTURE

Successfully executing strategy

Progress in FY25

Generating long-term sustainable growth



¹ The PCA ratio represents total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount (PCA).

Retirement is not a single life event - it evolves over time

Australians are living longer driving need for financial security

Industry focused on introducing greater income security and peace of mind

AGEING POPULATION

780

per day 

Australians retiring¹

8.9

million 


Australians over 60 years old in next 20 years²

\$3.6

trillion 

Assets in retirement in 20 years³

78

% 

Australians would be happier with a guaranteed income for life⁴



GOVERNMENT OBJECTIVES

Enhancing retirement outcomes

- ✓ Retirement Income Covenant
- ✓ Delivering Better Financial Outcomes
- ✓ Best practice principles for retirement income solutions

REGULATORY OBJECTIVES

Supporting life insurers to increase availability of retirement income products and grow annuity market

- ✓ APRA consultation on changes to capital framework for annuity products

INDUSTRY OBJECTIVES

Increasing innovation and competition in retirement income

- ✓ New Lifetime options
- ✓ Digital to provide advice at scale
- ✓ Improving customer retirement outcomes

1. Based on # Australians aged 65 retiring each day. Australian Bureau of Statistics, December 2024, National, state and territory population statistics.

2. Treasury modelling, Retirement phase of superannuation Discussion Paper December 2023.

3. Deloitte Superannuation Market Projections Report 2024 that projects retirement assets will increase from \$1.0bn at 30 June 2024 to \$3.6bn at 30 June 2044.

4. Based on Australians aged 60+ years in Challenger's Happiness Index research, February 2025.

Operating environment

There is considerable change underway across our operating environment

MACRO ENVIRONMENT

Credit Markets

Credit conditions supportive, spreads remain tight

▶ **Challenger closely managing pricing**

Interest Rates

Rate expectations driving inverted yield curve

▶ **Customer preference for shorter duration sales**

POLICY AND REGULATION

Legislative reform

Retirement income is a government priority

Regulators

Challenging the industry to deliver

Industry dynamics

Industry is responding

▶ **Challenger engaged at every stage**

CUSTOMER CHANNELS

Advice at scale

Advice technology solving challenge of help, guidance & advice at scale

Launch of retirement plans

Benefits of integrated lifetime income and account-based pension growing acceptance

Retirement is not saving

Business models changing as customer focused service models need to replace institutional savings model

2

Financial results and outlook

Alex Bell

Chief Financial Officer

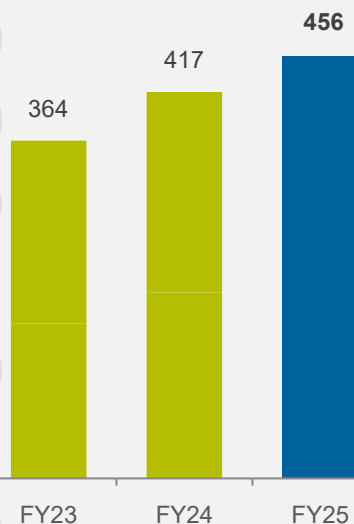
Strong FY25 financial performance

Delivering for shareholders

PROFITABILITY

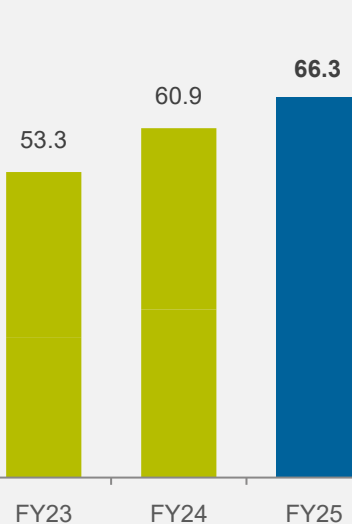
NORMALISED NPAT (\$M)

\$456M +9%



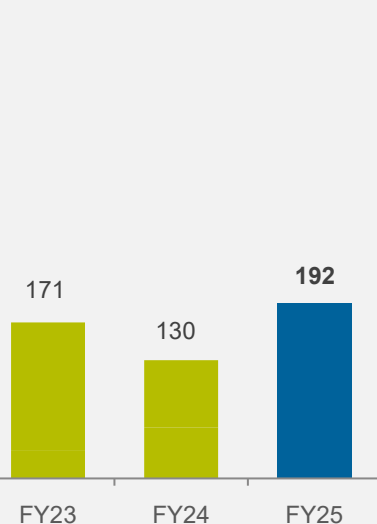
NORMALISED EPS (CPS)

66.3 CPS +9%



STATUTORY NPAT (\$M)

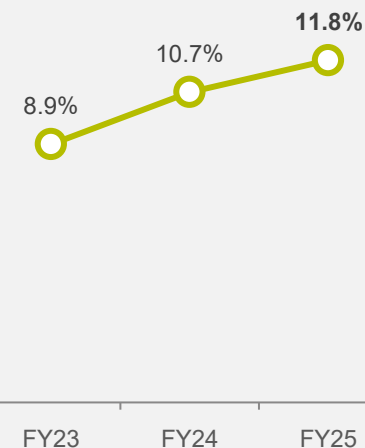
\$192M +48%



RETURNS

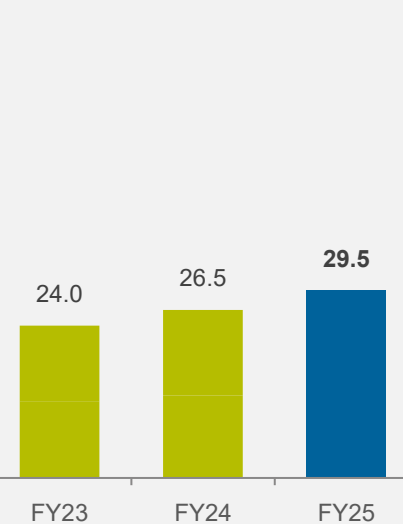
NORMALISED ROE

11.8% +110 BPS



DIVIDEND (CPS)

29.5 CPS +11%

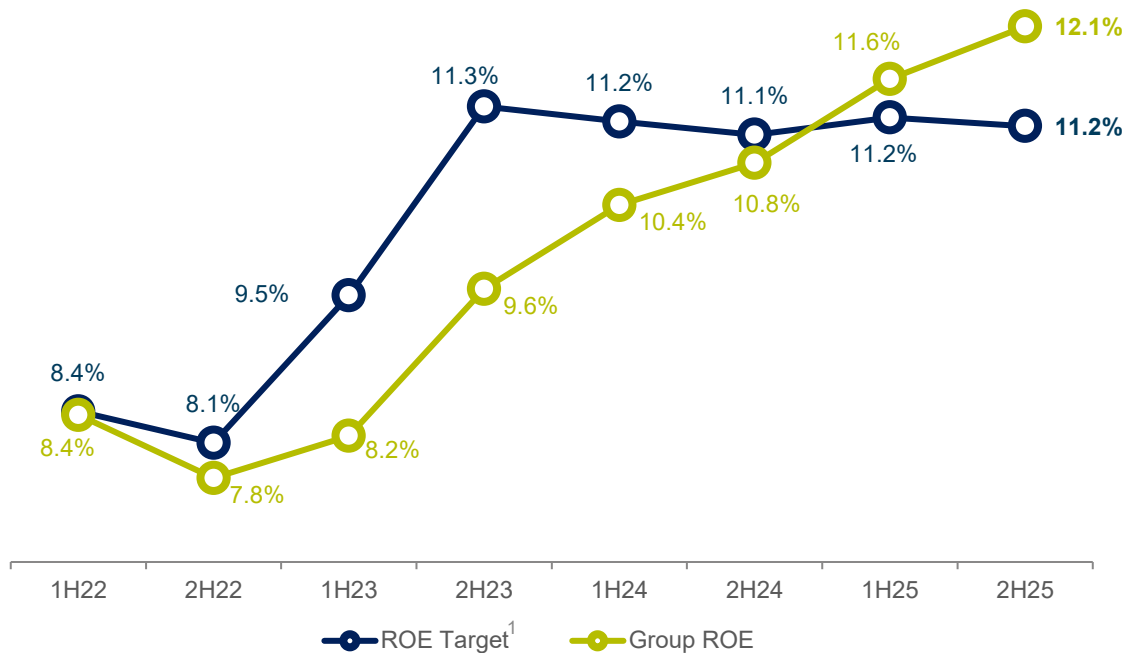


Achieving higher sustainable ROE

ROE above target

NORMALISED GROUP ROE (POST-TAX)

2H25 12.1% +130 BPS PCP



2H25 ROE drivers

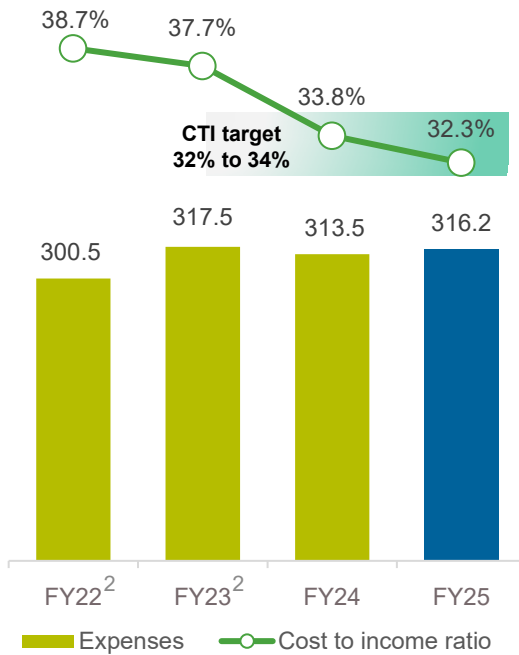
- ▶ Higher earnings across the business
- ▶ Structural change in expense base – with cost to income ratio of 32% at bottom end of target range
- ▶ Stable equity base

12 | 1. Normalised ROE (post-tax) target of RBA cash rate plus a margin of 12% less tax.

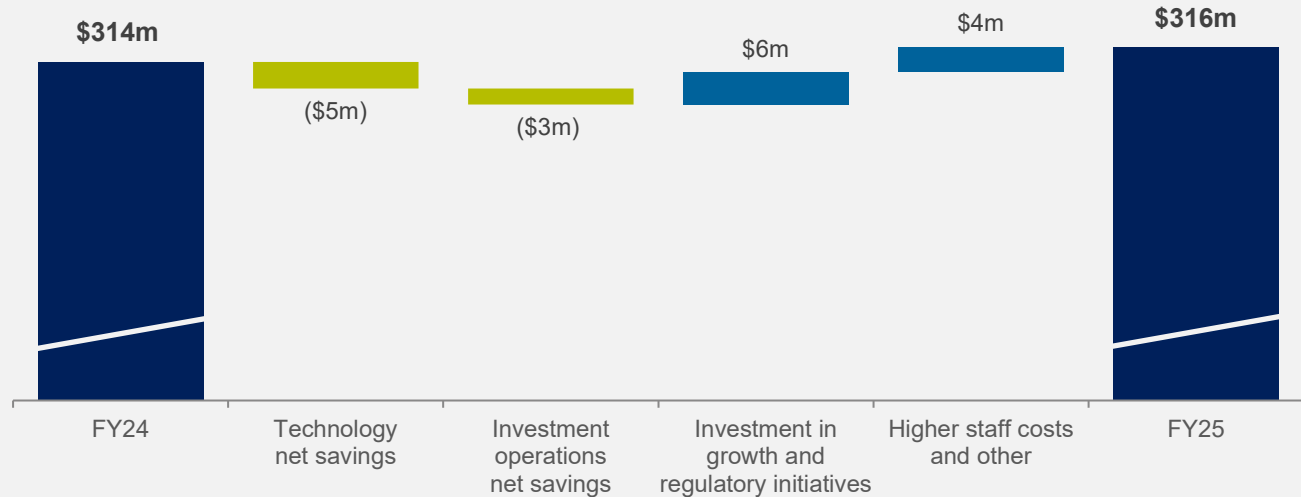
Structural reduction in expense base

Structurally changed expense base to capture operating leverage
 Cost savings reinvested back into the business

EXPENSES¹
 \$316M +1%



EXPENSES FY25 v FY24
 +1%

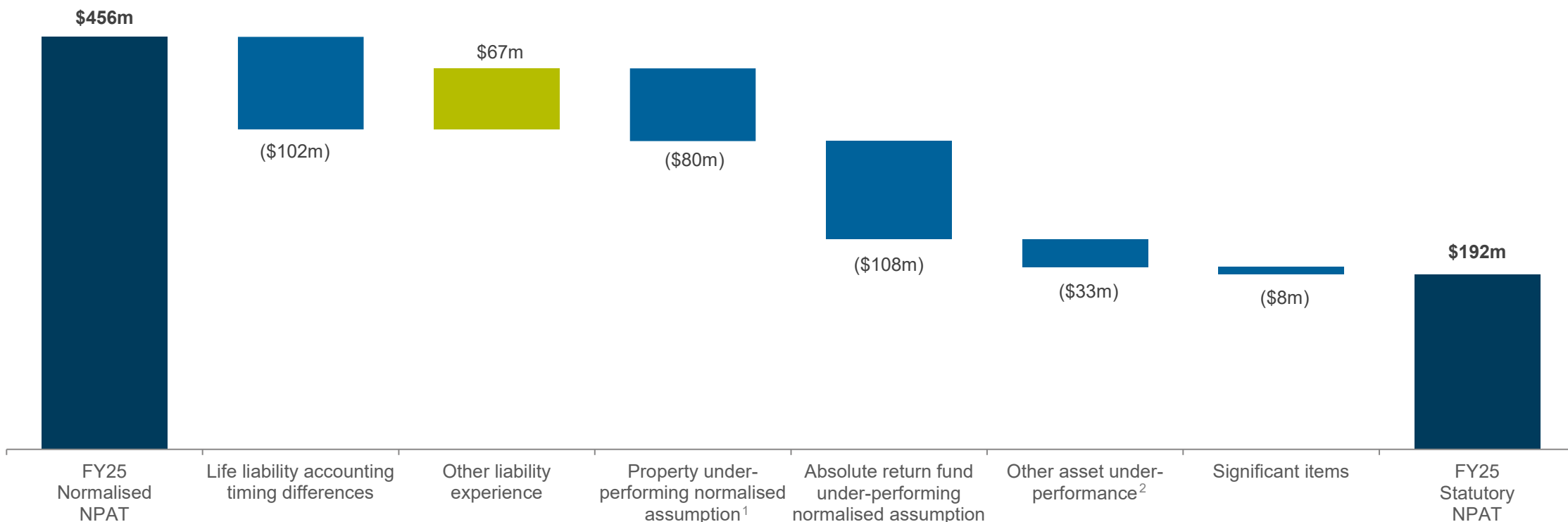


1. Excludes significant items.
 2. Includes Bank expenses of \$13.4 million in FY22 and \$17.6 million in FY23.

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FY25 normalised to statutory NPAT reconciliation

Impacted by AASB 17 accounting differences as well as returns on property and absolute return funds being lower than long-term assumptions



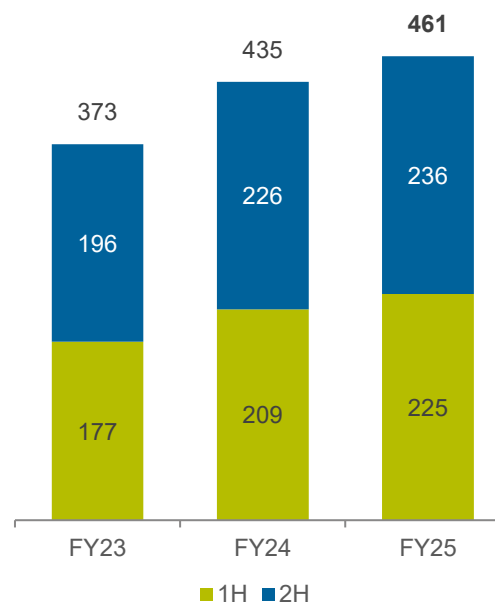
1. Excludes properties held for sale.
2. Includes asset experience after tax for Equity and infrastructure, Life insurance, General insurance and Funds Management.

Life performance

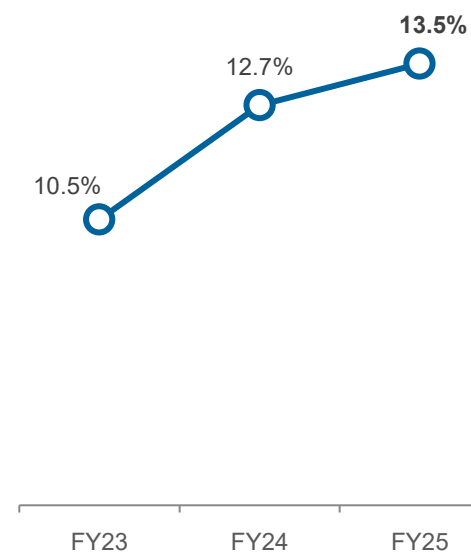
Investing for future growth

	FY25	CHANGE
Normalised Cash Operating Earnings (COE)	\$788m	5%
Expenses	(\$124m)	6%
Normalised NPBT	\$664m	5%
Normalised Tax	(\$204m)	2%
Normalised NPAT	\$461m	6%
COE margin	3.19%	7bps
Normalised ROE post-tax	13.5%	80bps
PCA ¹ ratio	1.60x	(0.07x)
Retail lifetime sales	\$1.1bn	26%
New business annuity sales tenor (years) ²	6.3	(2.2) ³
Maturity rate ⁴	24%	(2pp)

LIFE NORMALISED NPAT \$461M +6%



NORMALISED ROE POST-TAX 13.5% +80 BPS



1. Challenger Life Company Limited (CLC) PCA ratio represents CLC total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount (PCA).
2. Based on new business annuity sales, including term annuities and Lifetime sales, excluding reinvestments.
3. FY24 new business annuity sales tenor of 8.5 years included the impact of a \$619m group lifetime annuity policy win.
4. Based on annuity maturities and repayments (excluding interest payments) in the year divided by the opening period undiscounted annuity liability balance.

Life sales

Record retail lifetime and Japanese annuity sales offset by lower Index Plus sales

STRONG FY25 SALES PERFORMANCE



\$8.6bn

Total Life sales

4.9%

Annuity book growth¹

\$1.1bn ↑ 26%

Record retail lifetime annuity sales

\$984m ↑ 39%

Record Japanese annuity sales

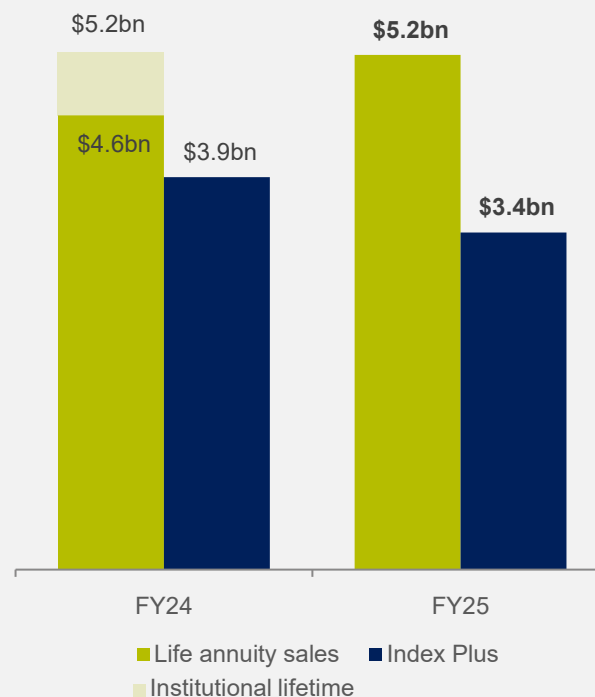
\$3.0bn ↑ 2%

Fixed term sales – mix impacted by inverted yield curve

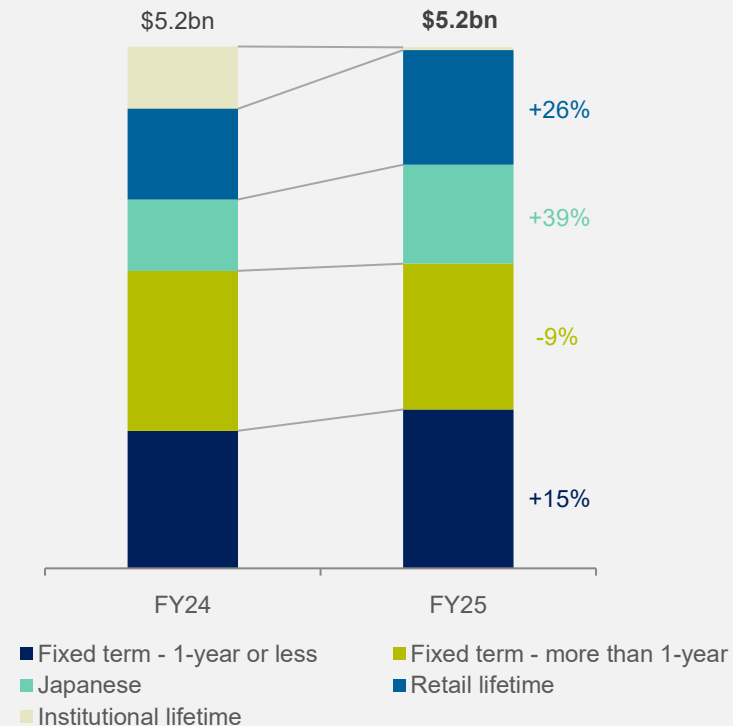
\$3.4bn ↓ 14%

Index Plus sales – focus on extending duration

LIFE SALES



ANNUITY SALES



1. Book growth percentage represents net flows for the period divided by opening liability balances for the financial year.

Life sales

Sales remix strategy has improved book quality

STRATEGY TO GROW LONGER DURATION SALES



~\$7 bn

Lifetime + Japanese sales since FY22

+60%

Japanese annuity sales growth since FY22

6.3yrs

New business tenor

+146%

Retail lifetime annuity sales growth since FY22

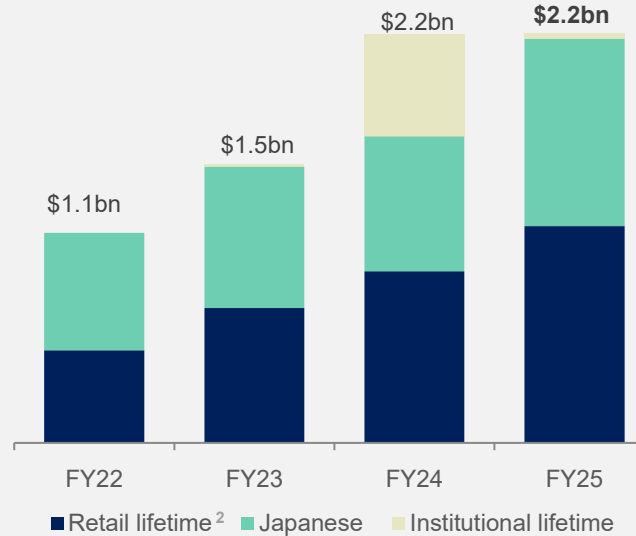
81%

Annuity book >3yrs compared to 72% in FY22

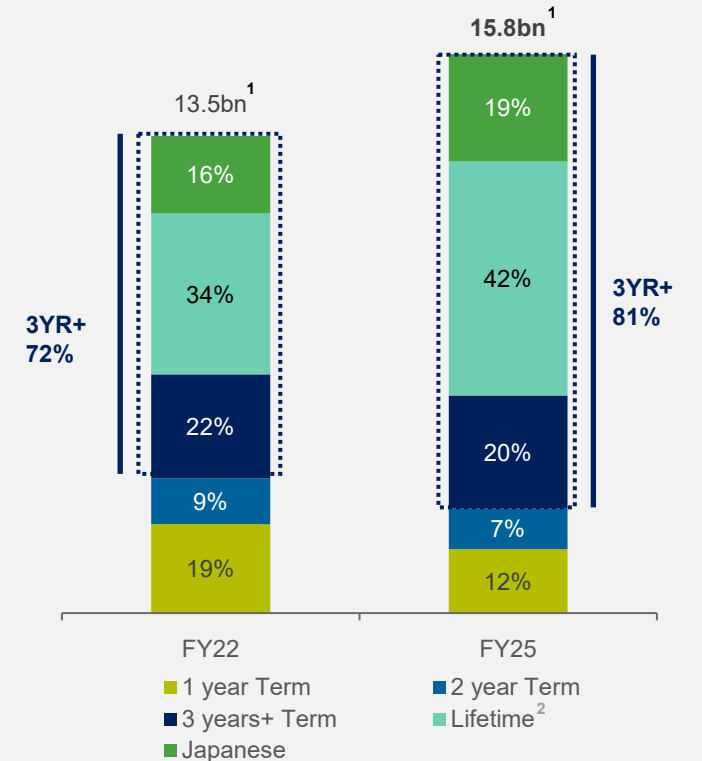
24%

Maturity rate

LONGER-DURATION ANNUITY SALES



POLICY LIABILITY PROFILE



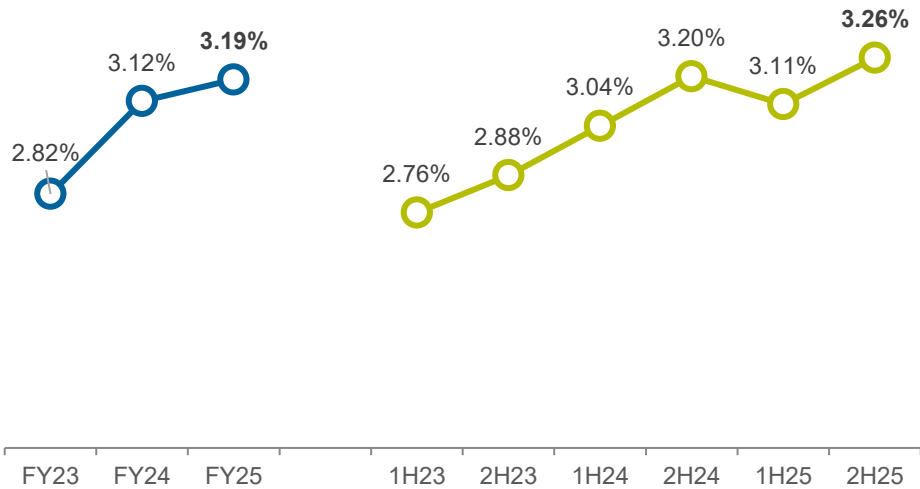
1. Excludes Life Risk business of FY22 \$0.1bn and FY25 \$0.6bn.

2. Includes CarePlus sales.

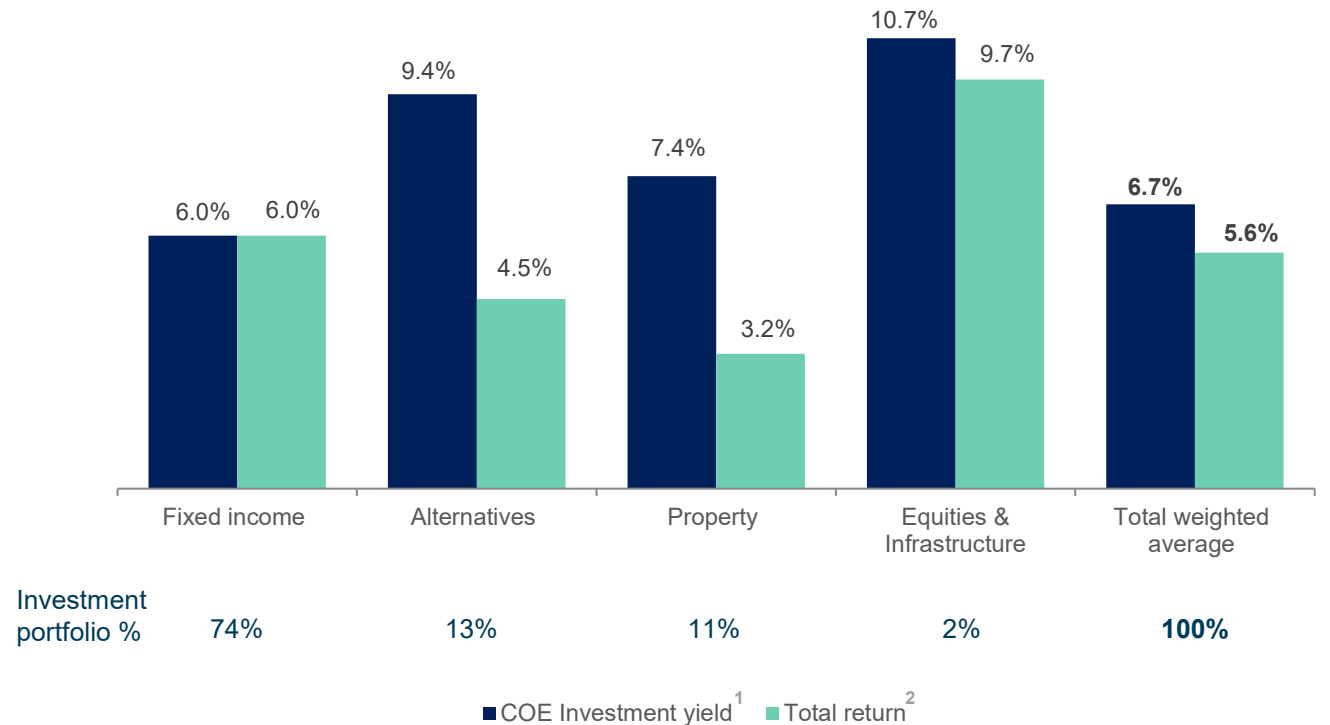
Life COE margin

Continued uplift in COE margin despite tight credit spread environment

COE MARGIN



FY25 INVESTMENT YIELD BY ASSET CLASS



1. COE investment yield includes investment yield and normalised capital growth.
 2. Total return includes COE investment yield and asset experience.

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Life investment portfolio

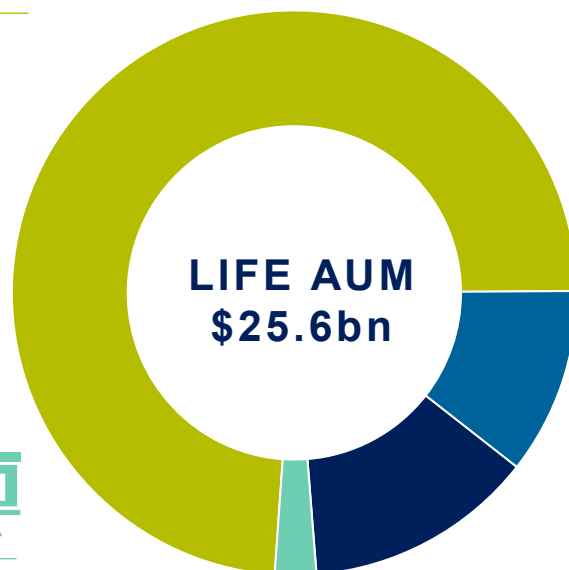
Life asset allocation largely steady

FIXED INCOME 74%



- Prepayments from ABS reinvested into attractive opportunities in cash and liquids, and corporate credit
- Continuing to target >75% investment grade¹
- Weighted average credit rating 'A'

EQUITY & INFRASTRUCTURE 2%



PROPERTY 11%



- Reflects strong performance in Australian retail, Australian industrial and Japanese properties, offset by Australian office
- Sale of 2 Australian retail properties and 1 overseas property, with 4 properties currently held for sale

ALTERNATIVES 13%



- Reallocation from global macro funds into market neutral strategies
- Alternatives less correlated to credit and listed equity markets
- Provides access to liquid capital

Funds Management performance

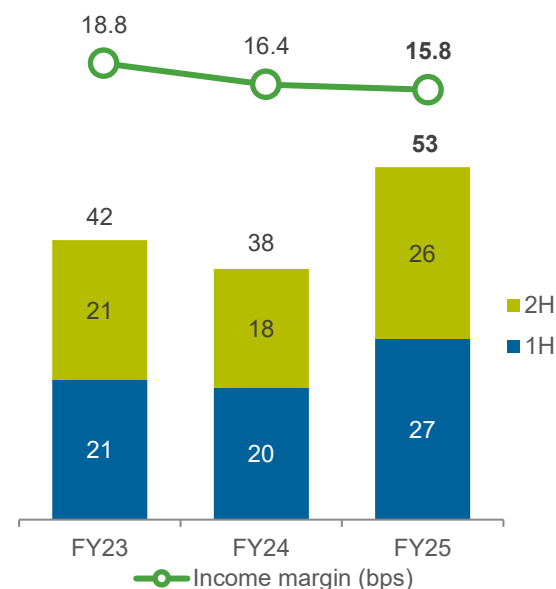
Benefiting from income growth and lower expenses

	FY25	CHANGE
FUM-based income & transaction fees	\$177m	6%
Performance fees	\$11m	57%
Net income	\$188m	8%
Expenses	(\$113m)	(6%)
Normalised NPBT	\$75m	38%
Normalised Tax	(\$22m)	31%
Normalised NPAT	\$53m	41%
FUM-based margin	13.9bps	(1.3bps)
Income margin	15.8bps	(0.6bps)
Normalised ROE post-tax	17.0%	4.8pp
Cost to income ratio	60.0%	(8.6pp)
Average FUM ¹	\$118.4bn	12%

NORMALISED NPAT

\$53M +41%

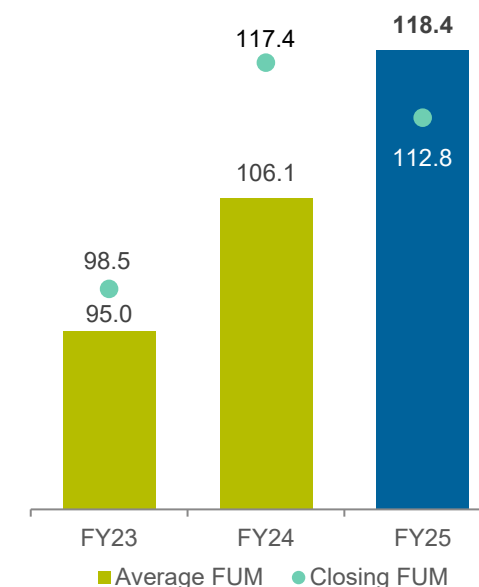
Net income +8%
Expenses -6%



AVERAGE FUM¹

\$118BN +12%

Fidante \$101bn +14%
Challenger IM \$17bn stable



Fidante

Record net flows in Europe and positive market movements
 Low-margin institutional outflows to benefit margin outlook

STRONG DISTRIBUTION CAPABILITY

\$1.4bn

Record net flows in Europe¹

10% 

Strong retail inflows in equities²

280% 

Strong retail inflows in alternatives²

MARKET LEADER

#2

Largest active manager³

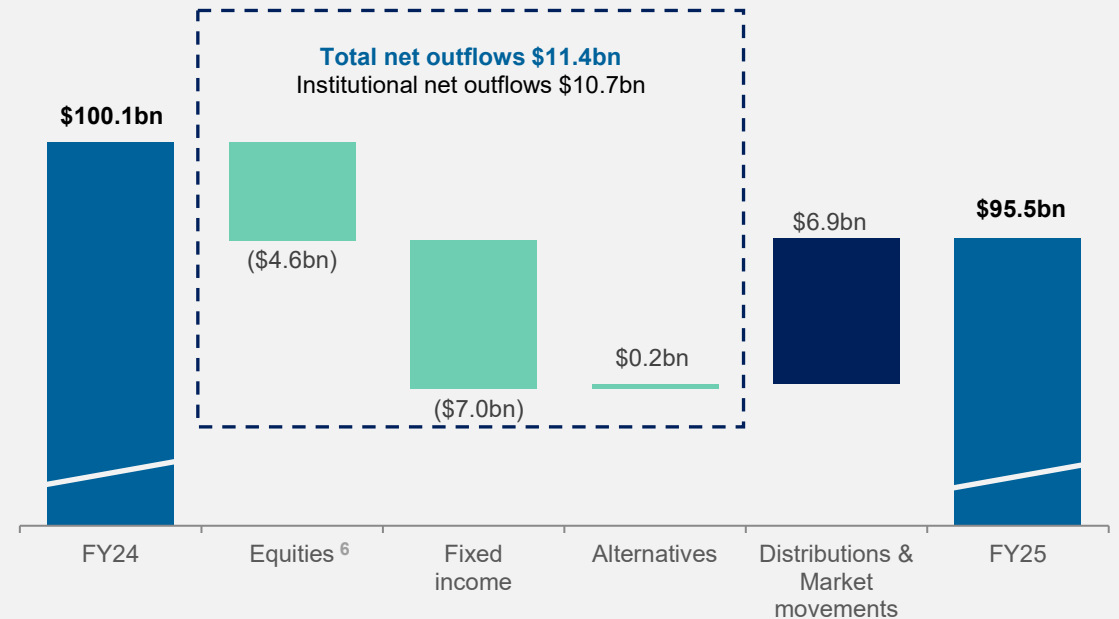
#4

Domestic equity manager⁴



Leading distribution⁵

FUNDS UNDER MANAGEMENT



1. Excluding \$1,282m FUM recognised in 2H18 following the acquisition of Latigo Partners.

2. FY25 vs FY24.

3. Calculated from Rainmaker Roundup, March 2025 data.

4. Plan for Life – March 2025 – based on fund size.

5. Fidante was named Distributor of the Year at the annual Zenith Fund Awards (Australia) in 2020, 2021, 2022 and 2023.

6. Includes \$0.8bn FUM derecognition following the sale of Fidante's minority interest in Merlon Capital Partners and completion of its distribution agreement.

Challenger Investment Management


Expanding asset origination to support growth

20 YRS INVESTING IN PUBLIC & PRIVATE CREDIT

\$16.4bn
Fixed income FUM¹

\$5.9bn +47% since FY22
in private credit

\$8.4bn annual purchases
~\$3.8bn private credit
originations in FY25


Generating consistent
income with capital stability

HIGH PERFORMING FUND OFFERINGS

\$2.5bn +35% in FY25
Third party funds'
(+150% since FY22)

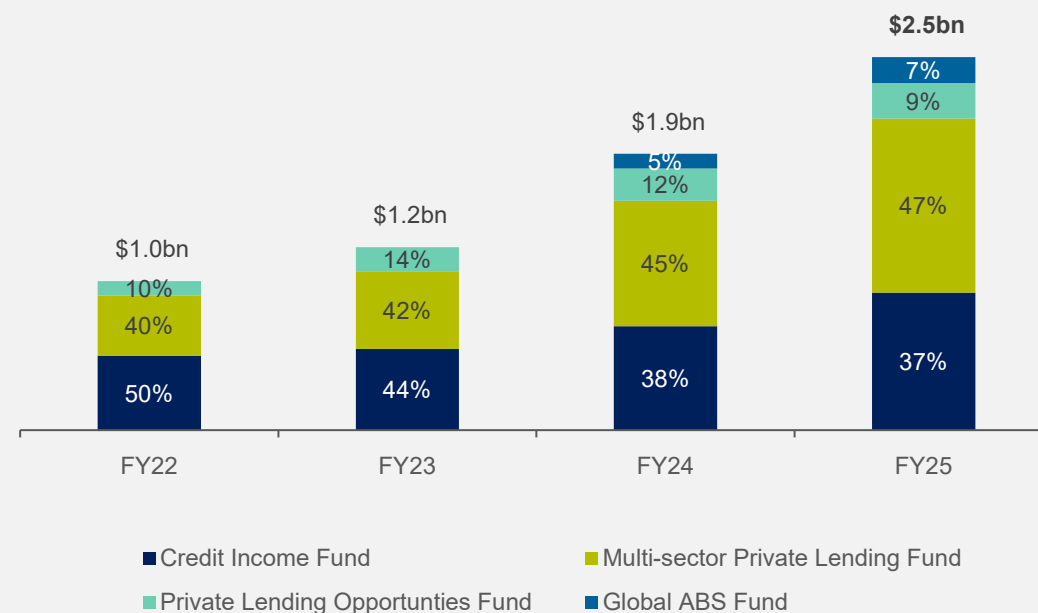
2X since FY22
Retail take up of
third-party funds

POWERING INCOME SOLUTION PLATFORM

**Challenger IM
LiFTS**

Launching innovative income note
on ASX that provides access to
public and private credit exposures

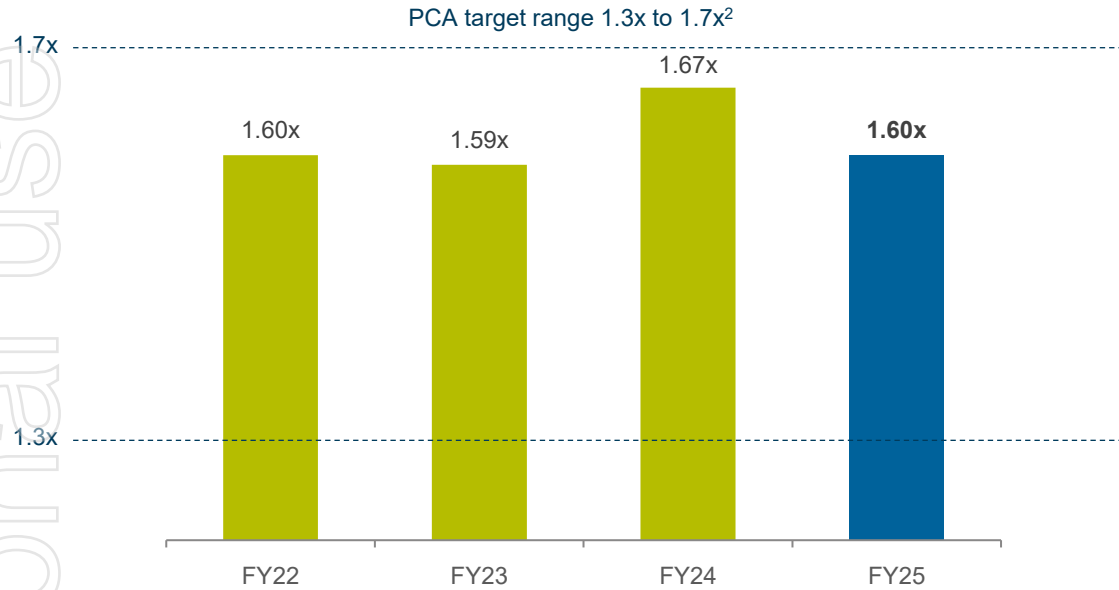
CHALLENGER IM THIRD PARTY FUNDS' FUM



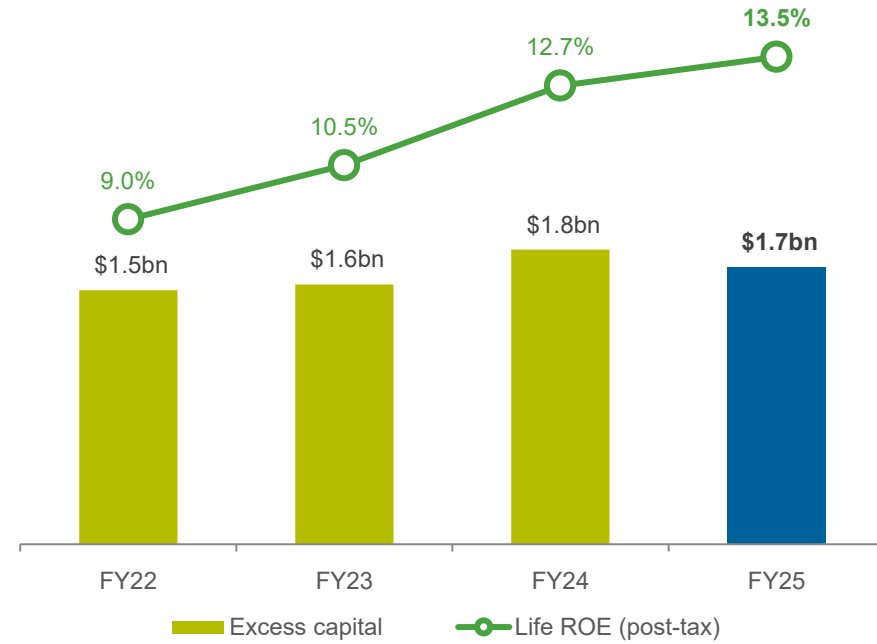
Capital strength

Strongly capitalised

PCA RATIO¹



CAPITAL BUFFER AND RETURNS



1. The PCA ratio represents total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount.

2. Challenger does not target a specific PCA ratio and the target PCA ratio range is a reflection of internal capital models, not an input to them and reflects asset allocation, business mix, capital composition and economic circumstances. The target surplus produced by these internal capital models currently corresponds to a PCA ratio of between 1.30 times to 1.70 times. This range may change over time and different constraints can apply including CET1 requirements.

APRA capital standards consultation

Creating the settings for a more innovative and competitive retirement income market

Significant benefit to retirees

APRA OBJECTIVES

1

Ensuring capital requirements for life insurers are not a disincentive to the development and competitive pricing of annuity products

2

Maintaining the financial resilience of life insurers

3

Improving alignment with comparable peer jurisdictions

POTENTIAL IMPACTS



Improved customer outcomes

Product innovation and customer pricing



Capital resilience

More market-dynamic illiquidity premium



Capital flexibility

Lower capital intensity to support growth, provided certain risk controls are in place



Ability to reposition asset allocation

Lower earnings volatility



APRA capital standard changes potential impacts

Increased capital resilience and flexibility for Challenger

CHALLENGER'S SUBMISSION SUPPORTS AMENDMENTS THAT REMOVE THE PROCYCLICAL NATURE OF THE CURRENT STANDARDS



Suggested changes to the illiquidity premium include:

- Use of a more representative reference index
- Extend market illiquidity premium for a longer term
- Use of a risk adjustment that is determined as a proportion of long-term average spreads (not current spreads)



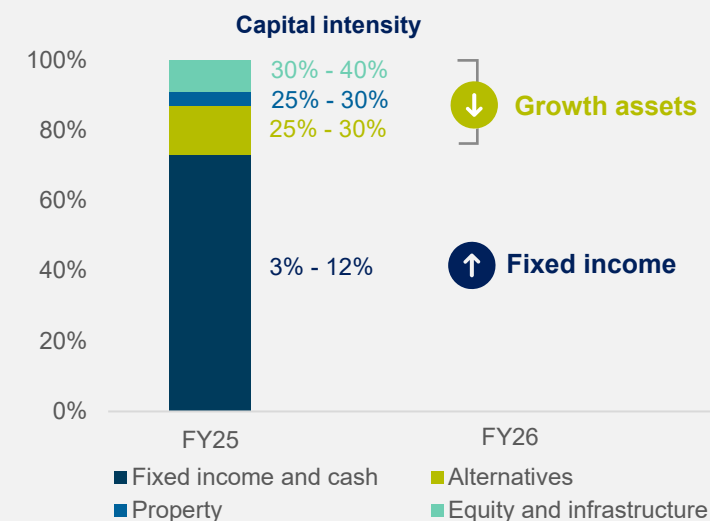
DAY 1 IMPACTS



- ↑ CLC total regulatory capital
Increase in CET1
- ↓ PCA requirement
Lower Asset Risk Charge
- ↑ PCA ratio
- ↓ Capital volatility
- ↓ Cost of capital



DAY 2 IMPACTS CHANGE TO ASSET ALLOCATION



✓ Further reductions in capital volatility, capital intensity and cost of capital

Capital allocation

Strong discipline in capital management

Focus on maximising shareholder returns

Delivering
shareholder
value



ORGANIC GROWTH

Invest in core businesses



DIVIDENDS

Dividend policy currently based on 30% to 50% payout ratio
Seeking to grow dividends over time



CAPITAL RETURN

Return excess capital above growth needs to shareholders



INORGANIC GROWTH

Enhance core businesses

FY26 guidance and targets

Driving shareholder value under current prudential settings

NORMALISED BASIC EPS GUIDANCE

66_{cps} to **72**_{cps}

Midpoint 4% higher than FY25

Guidance assumes:

- FY26 Group normalised NPAT of \$455m to \$495m
- No material change to the number of total issued shares

CONSISTENT THROUGH THE CYCLE TARGETS

Normalised ROE	RBA cash rate +12% after tax ¹
Cost to income ratio	32% to 34%
Dividend payout ratio	30% to 50% ²
CLC PCA ratio	1.30x to 1.70x ³

1. Normalised ROE (post-tax) target of 10.9% being the RBA cash rate plus a margin of 12% less tax (equivalent to a Normalised ROE pre-tax target of ~15.9% and assumes tax rate of 31.4% in FY26).

2. Normalised dividend payout ratio represents dividend per share divided by normalised earnings per share (basic).

3. Challenger does not target a specific PCA ratio. The target PCA ratio range is a reflection of internal capital models, not an input to them and reflects asset allocation, business mix, capital composition and economic environment. The target surplus produced by these internal capital models currently corresponds to a PCA ratio of between 1.30 times to 1.70 times. This range may change over time and different constraints can apply including CET1 requirements.

Looking ahead

Nick Hamilton

Managing Director & Chief Executive Officer

Progress on driving sustainable, profitable growth

Strategy delivering a business ready for the future

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PAST 3-YEARS

FUTURE

IMPORTANT NOTE

The material in this presentation is general background information about Challenger Limited group's activities and is current at the date of this presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with professional advice when deciding if an investment is appropriate.

Challenger also provides statutory reporting as prescribed under the Corporations Act 2001.

The 2025 Annual Report is available from Challenger's website at www.challenger.com.au/about-us/shareholder-centre.

This presentation is not audited. The statutory net profit after tax has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001. Challenger's external auditors, Ernst & Young, have reviewed the statutory net profit after tax. Normalised net profit after tax has been prepared in accordance with a normalised profit framework. The normalised profit framework is disclosed in Note 5 Segment Information of Challenger Limited 2025 Annual Report. The normalised profit after tax has been subject to a review performed by Ernst & Young. Any additional financial information in this presentation which is not included in Challenger Limited 2025 Annual Report was not subject to independent review by Ernst & Young.

This document may contain certain 'forward-looking statements'. The words 'forecast', 'expect', 'guidance', 'intend', 'will' and other similar expressions are intended to identify forward-looking statements. Forecasts or indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. You are cautioned not to place undue reliance on forward looking statements. While due care and attention has been used in the preparation of forward-looking statements, forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Challenger. Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which statements are based. Challenger disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

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